

Opening Statement of Dave Reed

June 18, 2007

My name is David Reed and I'm here voluntarily as the CIETC Board Chair. I have served on the CIETC Board in my capacity as a member of the Boone County Board of Supervisors. After Archie Brooks resigned from the CIETC Board in April 2006, I was elected Board Chair and I have continued to serve as Board Chair through the restructuring and dissolution of CIETC as a going concern in early January 2007.

Since the CIETC controversy began in March 2006 with the release of the audit by the State Auditor, I have worked with other members of the CIETC Board to clean up the mess. Some former board members stayed on the board to help with that effort and others, unfamiliar with the agency, its operations, and applicable governmental regulations, came onto the CIETC board as a thankless public service to minimize costs to taxpayers.

The CIETC Board has worked hard to resolve the various issues. The employment of individuals at both CIETC and IWD who were implicated in this matter was terminated almost immediately after the controversy arose. Since that time, the CIETC Board and CIETC employees have worked to continue providing services to program recipients, while at the same time trying to determine what claims can and should be made, in what amounts, and against what individuals or entities. Despite the distraction of multiple investigations, and second-guessing by the media and others, CIETC accomplished its pre-determined performance goals and even earned over \$88,000 in incentive money from the federal government in recognition of that achievement. This has not been an easy task.

CIETC first needed to ensure that there were people on board to continue the important services that CIETC was providing to the community. This required contracting with a new administrative consultant and financial consultant to replace the former executive employees. It also required hiring special legal counsel to sort things out and help assure that things were done properly going forward. Through a competitive process that involved the consideration of qualifications and hourly rates available from multiple law firms, the DavisBrown firm was engaged to provide carefully defined services at competitive hourly rates.

It was felt that the least expensive option for taxpayers would be to defer to the US Attorney who had the advantage of subpoena power and a grand jury to do the investigation and assembly of relevant evidence. The US Attorney's office already had custody of CIETC records, data, files, and computers. Unfortunately, IWD formally initiated the intergovernmental dispute before the US Attorney and grand jury could complete their work.

We have cooperated fully with the multiple investigations that were in progress by the United States Attorney, the Governor's office, IWD, and this Committee. We also undertook our own investigation to identify claims that CIETC might be able to assert against third parties, such as former employees, CIETC's fidelity insurer, and third parties who provided auditing and monitoring services to the CIETC Board. We requested the assistance of this Committee to subpoena material that the CIETC independent auditors refused to provide voluntarily, but we were unable to obtain the requested subpoena.

Very early in the process the CIETC Board initiated discussions with the other governmental agencies in an attempt to resolve matters. Resolution of issues was delayed by the criminal investigation regarding executive compensation. The CIETC Board needed to allow the criminal investigation to run its course before the CIETC Board (or the other parties involved) could responsibly take any definitive action to bring closure to this matter. It was felt that allowing the criminal investigation to run its course would be the least expensive and the most reliable way to define the issues, and it would allow all governmental entities to gain a common understanding of the scope and parameters of the issues.

Much has actually been accomplished. Significant efforts were made throughout the late spring, summer and fall of 2006 to gather pertinent facts necessary to support potential claims against third parties and evaluate potential claims against CIETC. Until the United States Attorneys' office issued its indictments, however, it was impossible to resolve issues and competing claims. The indictments were finally returned on January 16, 2007, and the CIETC Board is continuing its discussions regarding the resolution of the intergovernmental controversy. The most recent discussion with IWD's lawyer occurred Friday, June 15, 2007. For obvious reasons I cannot presently discuss the content of those discussions.

During this time of intense scrutiny by the media and while cooperating with the multiple investigations into the activities of trusted CIETC and IWD employees, the remaining CIETC staff has continued to provide uninterrupted services to program recipients and has achieved target level compliance with previously-established service goals and objectives in all performance categories. I remain hopeful that this matter can be resolved while all program recipients continue to receive much-needed services that are now being provided by the Regional Workforce Investment Alliance and DMACC.

The legal fees to get through all of this have been substantial. The legal fees incurred by the Government Oversight Committee alone have been in excess of \$120,000 of taxpayer money, but the Committee has apparently considered the expense of that professional support necessary under the circumstances.

Even if it is ultimately possible to settle the intergovernmental disputes, we will still be left with the need to defend litigation initiated by the Des Moines Register, and CIETC will have to continue in existence for that purpose. That will not only consume additional taxpayer dollars, but the Register is seeking in that litigation to recover from taxpayers its mounting attorney fees that are being incurred at the rate of \$375 *per hour*, as contrasted with the \$210 *per hour* being paid to defend taxpayers. That litigation asserts unprecedented interpretations of the Iowa Open Meetings law and seeks to impose personal liability on these fine, volunteer board members who have either stayed or come on the CIETC board after the controversy arose in order to help clean up the mess, and who have, understandably, relied on advice of counsel in the conduct of its open and closed meetings. That was done in the belief that it would get the mess cleaned up as promptly as possible, would do so in compliance with applicable law, and would save money for taxpayers in the long run.